

OPENING STATEMENT  
GSE REFORM  
CAPITAL MARKETS SUBCOMMITTEE  
RANKING MEMBER SPENCER BACHUS  
Monday, March 12, 2007

Thank you, Chairman Kanjorski, for holding this important hearing today on a frequently overlooked component of GSE reform: the Federal Home Loan Bank System.

This system of cooperatively owned institutions was established during the Great Depression to help facilitate liquidity for the extension of credit for the purchase of homes by individuals. Today, the bank system is composed of 12 separate districts with nearly 8,000 members and is enjoying a growth in its programmatic and financial activities as a result of several legislative changes through the years, most recently in the Gramm-Leach-Bliley Act of 1999.

Federal Home Loan Banks help create a liquid residential mortgage market, but they also promote small business financing and supply funds for affordable housing and community investment.

In light of these important responsibilities, Congress has the duty to ensure the safety and soundness of the Home Loan Bank System and to monitor whether the Banks appropriately satisfy their missions. As these institutions' financing and risk management strategies have become more complex in recent years, the need for vigilant congressional oversight has only increased.

Sound corporate governance is critical to the functioning of any enterprise. The arguments to include the Home Loan Banks in a better, stronger regulatory framework are consistent with the arguments to include Fannie Mae and Freddie

Mac. In my view, the benefits of better regulation will accrue not only to the taxpayer and financial system at-large but also to Fannie Mae, Freddie Mac, and the Federal Home Loan Banks.

Also, I understand that the Subcommittee Chairman has a long-standing interest in the issue of public interest board membership for these public-private institutions. I have been concerned that the Banks have not been operating with full boards of directors. However, I want to commend the Federal Housing Finance Board and its Chairman, Mr. Rosenfeld, for responding to this problem and issuing a sensible interim rule to fill these seats. The Finance Board is authorized to appoint public interest directors to the Banks' boards and it is my view that its proposed procedures will enhance its ability to appoint well-qualified individuals.

Homeownership is available today to more Americans than ever before, and further promoting homeownership -- increasing access to the American Dream -- is a priority of the Republican members of this Committee. It is time to strengthen the GSEs' safety and soundness regulator, to ensure the regulator has the resources to do its job effectively and to ensure that America's system of housing finance is secure. By passing meaningful legislation, we can achieve these goals.